

THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

15 MAR 1994

MEMORANDUM FOR THE SECRETARIES OF THE MILITARY DEPARTMENTS
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DIRECTOR OF ADMINISTRATION AND MANAGEMENT
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SUBJECT: ACQUISITION REFORM

The Department of Defense (DOD) faces unprecedented challenges in preserving force effectiveness in light of a radically changed threat, substantially declining defense budgets, and rapidly changing technology. The existing acquisition system will not be, and in some cases already is not, capable of responding to customer needs in this new environment. The fact is -- the world in which DoD must operate has changed beyond the limits of the existing acquisition system's ability to adjust or evolve - it must be totally re-engineered.

Acquisition reform is consistent with many of our most important national goals: saving the taxpayer money, reinventing Government; strengthening our military, and improving our economy. To meet these goals in today's environment DoD must:

Be able to rapidly acquire commercial and other state-of-the-art products and technology, from reliable suppliers who utilize the latest manufacturing and management techniques;

Assist in the conversion of U. S. defense-unique companies to dual-use production;

Aid in the transfer of military technology to the commercial sector,

Preserve defense-unique core capabilities (e.g., submarines, armored vehicles, and fighter aircraft);

Integrate, broaden, and maintain, a national industrial base sustained primarily by commercial demand but capable of meeting DoD's needs;

Be able to adopt business processes characteristic of world class customers and suppliers (including processes that encourage DoD's suppliers to do the same); and

Be free to stop applying Government-unique terms and conditions on its contractors to the maximum extent practicable.

As you know, to facilitate the Department's acquisition reform efforts, I have established a new office, that of the Deputy Under Secretary of Defense for Acquisition Reform (DUSD(AR)). The DUSD(AR) will be responsible for fundamentally restructuring and improving the acquisition process by directing the conception, development, adoption, implementation, and institutionalization of new and innovative acquisition policies and processes. I know that representatives of your offices have been playing an active part in the acquisition reform efforts to date as part of the Acquisition Reform Senior Steering Group. I want to thank you and your staffs for your tremendous support, and quick turnaround of proposed actions being coordinated by the DUSD(AR).

I also know that you each have a number of acquisition reform studies and initiatives ongoing internally within your organizations. I applaud those efforts and encourage you to continue to pursue them. I would ask, however, that you coordinate your efforts with the DUSD(AR) to ensure the Department as a whole is getting the most out of our combined efforts to change the acquisition process. I am firmly convinced that fundamental reform will not occur unless those who are part of the existing system participate in developing and implementing the changes. DoD will not succeed in fundamentally re-engineering the acquisition system unless those "on the front line" of the acquisition process embrace this effort. I know they are the experts, not those of us sitting in the Pentagon. I have directed the DUSD(AR), and encourage you in your efforts, to include these experts on any Process Action Teams or working groups that are formed to develop re-engineering plans. I also am committed to seeking the advice of industry and Congress as we proceed along this path. They are partners in this process, and their views are critical.

Attached is a copy of my paper "Acquisition Reform -- A Mandate for Change." it summarizes my beliefs on how the Department should approach acquisition reform, and it identifies goals for a re-engineered system. I urge you to give this paper wide dissemination within your acquisition organizations. It is important that all know what direction I am charting for DoD so that you can shape your policies accordingly.

The Administration, beginning with the President, followed closely by the Vice President, and myself, are dedicated to change and to improving the way Government functions. We need your active support to succeed. Reform of the acquisition system must be a number one priority for all of us.

Attachment